

# Educational Loan Notes

## Monthly Newsletter



[MGA Home](#)

January 2008

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### DRAFT COHORT DEFAULT RATE APPEAL PROCESS WEB CAST

Draft cohort default rate information will be released on February 11, 2008. After the release of the draft cohort default rates, the U.S. Department of Education (ED) provides schools an opportunity to review the draft data and, if necessary, work with the data manager responsible for the loans to correct any errors.

To assist schools with the appeal process, the Michigan Guaranty Agency (MGA) will host a Web cast at 10:00 a.m. on Thursday, February 7, 2008, to discuss the information schools receive, how to interpret the data for accuracy, and the types of appeals schools may submit. Please read on for instructions to participate.

To assist in the Web cast, MGA will email the presentation to registered participants prior to the day of the Web cast. To register for the Web cast send an email to Stacy Cardwell at [cardwells@michigan.gov](mailto:cardwells@michigan.gov). In the body of the email, indicate you plan to participate and would like the presentation materials. If there is more than one person who wishes to participate at a school, please share a computer connection so we do not have any connection issues.

To participate in the Web cast login at <https://www.webmeeting.att.com>.

Meeting Number: 8773361829

Access Code: 3557778

You will also need to dial-in to hear the presenter.

Audio Conference Access Information:

Toll-Free Dial-In Number: (877) 336-1829

Access Code: 3557778

It is important for schools to correct inaccurate data through an incorrect data challenge for a number of reasons:

- A school will not have a second opportunity to submit an incorrect data challenge; in its review, the school needs to ensure that no discrepancies exist among its records, the information obtained from outside sources, and the Loan Record Detail Report (LRDR) for the draft cohort default rates.
- The loan information used to calculate the draft cohort default rate will be used to calculate the school's official cohort default rate; the school needs to ensure that this data is accurate because official cohort default rates may result in certain benefits for the school or sanctions against the school.
- An incorrect data challenge will preserve a school's right to submit an uncorrected data adjustment if the agreed upon changes are not reflected in the official cohort default rate.

- An incorrect data challenge will preserve a school's right to submit an erroneous data appeal on the basis of disputed data if the school is subject to sanction after the release of the official cohort default rates.

If it is determined that the draft cohort default rate data is inaccurate, and the data manager responsible for the inaccurate data agrees to make a change to the data, the school's official cohort default rate should reflect the change.

Questions concerning the upcoming Web cast should be directed to Dan Tryon 1-800-642-5626, extension 34981, or via email [tryond@michigan.gov](mailto:tryond@michigan.gov).

## **MAPPING YOUR FUTURE OFFERS TRAINING-ON-DEMAND VIDEOS (VODCASTS)**

Schools using Mapping Your Future's Online Student Loan Counseling (OSLC) can learn more about the products anytime, anywhere with online training-on-demand videos.

The videos include audio instruction with a demonstration. The following training topics are available:

- Approving additional users.
- Customization:
  - Add average indebtedness information to counseling sessions.
  - Choose the questions borrowers must answer when completing counseling.
  - Customize the counseling start page to include school-specific information.
  - Determine whether student must complete a budget during the counseling session.
  - Expand counseling to include financial literacy and money management tips.
  - Require borrowers to complete all fields on the student form (not just those fields that regulations require).
- ExitExpress (Stafford exit data to guarantors).
- Resetting the FAO Access Area password.
- Meeting regulatory requirements (sound only).
- Retrieving paper counseling records.
- Exporting electronic counseling records.

To access the videos, schools need to log into their secure FAO Access Area and click on the "Training-on-Demand Videos" link in the "In the News" box. The videos are in two formats: Windows (for the Media Player) and QuickTime (traditionally for Mac users).

Mapping Your Future staff also created a training-on-demand video for students, explaining the steps of completing a counseling session. The link to the video may be found on Step Two of all counseling sessions and is located at [mapping-your-future.org/downloads/StudentInstruct.wmv](http://mapping-your-future.org/downloads/StudentInstruct.wmv).

If you have questions or suggestions for training-on-demand topics, contact CariAnne Behr at [carianne@mappingyourfuture.org](mailto:carianne@mappingyourfuture.org) or (573) 634-8641.

## **BANKRUPTCY FILINGS DECLINE AGAIN IN FISCAL YEAR 2007**

Bankruptcy cases filed in federal courts totaled 801,269 for the 12-month period ending September 30, 2007, down 28 percent when compared to the 1,112,542 filings in Fiscal Year 2006. However, according to the Administrative Office of the U.S. Courts, the September 2007 filings are the highest of any previous 12-month period since September 2006, and overall filings have been increasing each quarter.

Bankruptcy filings dropped precipitously in 2006 after implementation of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA). Now, in FY 2007, although filings remain well below pre-BAPCPA levels, total filings continue to increase. The BAPCPA went into effect October 17, 2005, and caused filings to rise in 2005, peaking in October of that year.

Most of the annual decrease came from Chapter 7 filings, where filings in FY 2007 totaled 484,162, down 42 percent from the 833,147 Chapter 7 filings in FY 2006. Chapter 13 filings actually rose 14 percent, from 272,937 in FY 2006 to 310,802 in FY 2006 but were offset by the larger decrease in Chapter 7 filings. Again, this is attributed to the October 2005 surge of consumers seeking relief before BAPCPA changes made it harder to qualify for a Chapter 7 plan. Chapter 7 and Chapter 13 are the two most common plans for individuals seeking protection.

While student loan debt is usually not affected by bankruptcy filings, the trend toward continued increases in individuals seeking relief may indicate that borrower ability to repay obligations is challenged, making it important for troubled borrowers to contact their lender, servicer, or guarantor about repayment options available to them.

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## **MGA STAFF CHANGE FOR BANKRUPTCY ISSUES**

We are pleased to announce that Rita Ray has assumed bankruptcy functions for the Michigan Guaranty Agency's Claims and Collections Section. Rita is responsible for managing all bankruptcy filings on federal student loans defaulted to MGA, from the first meeting of creditors to discharge. This includes review of all documentation received, determining if a Proof of Claim is required to be filed at court, review of accounts submitted as an Adversary Proceeding for discharge-ability, submitting accounts to the Claims Unit for repurchase by the original lender, and reviewing accounts in bankruptcy status for eligibility for additional Title IV financial aid based on federal regulations.

Rita brings ten years of experience to the position as an account examiner in the Collections Unit of MGA. She was a trainer for our new account examiners, and will continue to function as the loan consolidation expert and liaison to the U.S. Department of Education and other lenders on consolidation issues. She is also on the Outreach Team of MGA where she participates as a speaker and representative at community events.

Rita may be contacted at 1-800-642-5626, extension 60614, or via email at [rayr1@michigan.gov](mailto:rayr1@michigan.gov).

Rich Ziebarth, MGA's former bankruptcy resource person, retired on December 28 after 17 years of service to the state of Michigan. His future plans are to spend more time in Mexico with his wife, also a retiring state employee. We wish them the best in their happy retirement.

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## **NEWS FROM NSLDS**

The [December](#) newsletter from NSLDS discusses the upcoming implementation of an email notification process that will replace NSLDS User ID and Password letters as well as Enrollment Late Letters. The new process will be implemented this month.

An NSLDS user identification (User ID) is a string of unique alpha-numeric characters that NSLDS uses to recognize an authorized user. Application for NSLDS online services is completed through the Participation Management's (PM) Student Aid Internet Gateway (SAIG) Enrollment Form at [www.fsawebenroll.ed.gov](http://www.fsawebenroll.ed.gov).

Beginning January 2008 NSLDS will no longer mail User ID letters and Password letters to

individual users. Instead, notification of an approved NSLDS User ID will be sent by email to the organization's designated Primary Destination Point Administrator (PDPA).

The PDPA will be responsible for forwarding the User ID email to the new user. The notification includes instructions for the new user to call the NSLDS Customer Service Center (CSC) at 1-800-999-8219 for a password. The new user will be asked to provide certain personal information in order to have a temporary password assigned for the user's initial log on. Upon first logging on, the user will then set a password according to the instructions in the email notification.

Note that only the new user may call the CSC to request a password. The PDPA may **not** call the CSC requesting passwords for new users. A User ID is assigned to an individual and not an institution. NSLDS User IDs and passwords must **never** be shared. Refer to the User Statement and the Signature pages of the SAIG Enrollment Form at FSAWEBENROLL.ed.gov for additional security requirements. The institution is required to maintain a signed copy of the User Statement.

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### **ED RELEASES NEW PROMISSORY NOTE ADDENDA AND PLAIN LANGUAGE DISCLOSURES**

The U.S. Department of Education (ED) has released revised promissory note addenda and Plain Language Disclosures (PLDs) for Federal Stafford loans and Federal PLUS loans, and a new promissory note addendum for Federal Consolidation loans. The revised Federal Stafford loan and Federal PLUS loan addenda and PLDs explain the changes to loan terms and conditions that were made by both the Higher Education Reconciliation Act of 2005 (HERA) and the College Cost Reduction and Access Act of 2007 (CCRAA). The new addendum for the Federal Consolidation Loan Application and Promissory Note explains the changes to the terms and conditions of Federal Consolidation loans that were made by the CCRAA.

The addenda must be provided along with current promissory notes to inform borrowers of the changes made to the terms and conditions of their loans by the HERA and/or the CCRAA. **Program participants must discontinue use of the current Stafford and PLUS Addenda and PLDs and begin using the revised addenda and PLDs as soon as possible.**

Click [here](#) to access the announcement from ED which includes links to the revised documents. The revised addenda and disclosures may also be ordered from our Web site.

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### **SPECIAL ALLOWANCE RATES ANNOUNCED**

The U.S. Department of Education has published [Special Allowance Rates](#) for the quarter ending December 31, 2007. The average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending **December 31, 2007**, is **3.59** percent. The average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending **December 31, 2007**, is **4.92** percent.

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### **COLLEGE GOAL SUNDAY**

This is a reminder that College Goal Sunday will be held on Sunday, February 10, 2008, from 2:00 p.m. to 4:00 p.m.

College Goal Sunday provides students and parents an opportunity to receive professional assistance with completing the Free Application for Federal Student Aid (FAFSA). Students and parents should be reminded to bring:



- Social Security Number
- Driver's license
- Alien Registration Card, if applicable
- 2007 federal income tax return for student and parent(s)
- 2006 federal income tax return, if 2007 tax return has not been completed
- 2007 untaxed income records
- 2007 bank statements
- 2007 business and investment information

For more information on College Goal Sunday including the locations for the event, please go to [www.micollegegoal.org](http://www.micollegegoal.org), or call 1-800-832-2464.

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## **ED PIPELINE**

MGA has provided descriptions and links to some of the most recent correspondence for schools and lenders from the U.S. Department of Education (ED).

**Dear Partner**  
**December 2007**  
**[ANN-07-24](#)**

This letter announces the release of two separate recordings of the internet briefings by Federal Student Aid's Policy Liaison and Implementation staff related to the College Cost Reduction and Access Act (CCRAA) and the recently published final rules affecting the Title IV student assistance programs.

**Dear Partner**  
**December 2007**  
**[FP-07-12](#)**

This letter provides guidance on the process that will be used to designate entities that meet the statutory definition of an eligible not-for-profit holder for purposes of special allowance payment (SAP) billings in the Federal Family Education Loan Program (FFELP).

**Dear Partner/Colleague**  
**January 2008**  
**[FP-08-02](#)**

This letter announces Promissory Note Addenda and Plain Language Disclosures for Federal Family Education Loan Program (FFELP) loans.

**Dear Partner/Colleague**  
**January 2008**  
**[GEN-08-01](#)** **[FP-08-01](#)**

This letter explains the major changes to Title IV loans and grants made by the College Cost Reduction and Access Act (CCRAA). The College Cost Reduction and Access Act of 2007 (CCRAA), Public Law 110-84.

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## **ELECTRONIC ANNOUNCEMENTS**

MGA has provided descriptions and links to some of the most recent electronic announcements from the U.S. Department of Education (ED).

Following is a link to an electronic announcement that was posted by ED on December 21, 2007, regarding the TEACH Grant. The announcement explains about a new question added to the 2008-2009 FAFSA on the WEB for the TEACH Grant.

<http://ifap.ed.gov/eannouncements/122107CCRAANewTEACHGrantQuestionAddedtoFOTW.html>

Following is a link to an electronic announcement that was posted by ED on December 27, 2007, regarding 2008-2009 Pell Grant awards. It explains how CPS will be calculating Pell eligibility between January 1-13, 2008, and why schools will have students with ISIR's showing Pell eligibility for 2008-2009 who are not really eligible. It also explains a notification that will be provided to the students.

<http://ifap.ed.gov/eannouncements/122707FOTWMessPellEligibility.html>

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## **UPDATES TO MGA'S PARTICIPATING LENDER LIST**

MGA encourages school personnel to use the electronic version of the "Participating Lender List" which provides access to the most current lender information and eliminates the need for manually updating the paper document that is published once per year. The electronic list is available on our Web site at [mgaloan.com](http://mgaloan.com). From the MGA Quick List, select the Forms/Documents drop-down menu and choose [Participating Lender Lists](#).

Schools continuing to use the paper version of the list dated May 4, 2007, should note the following changes on their paper copy.

If you have any questions regarding these updates, please contact Pat Fromm at 1-800-642-5626, extension 36076, or via email at [frommp@michigan.gov](mailto:frommp@michigan.gov).

### **Lender Name Change**

**Wanigas Federal Credit Union, 826415**, has changed its name to Wanigas Credit Union.

### **No Longer Participating**

**Latvian Credit Union, 813150**, is no longer participating in FFELP.

**National Education ELT Zions Bank, 834378**, is temporarily suspending participation.

**National Education/IDAPP, 830628**, is temporarily suspending participation.

**St. Pauls Latvian Credit Union, 817414**, is no longer participating in FFELP.

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## **UPDATED ACTIVE MICHIGAN SCHOOL LIST IS COMING**

MGA's updated "Active Michigan School List" will be mailed this month. You may obtain additional copies of the school list by completing the *Request for MGA "In-House" Supplies* order form on our Web site at [mgaloan.com](http://mgaloan.com) by clicking on "Ordering Supplies" from the Forms/Documents dropdown menu under the "MGA Quick List" section. You may also contact our mail room at 1-800-642-5626, extension 60607, to place an order. If you have any questions please contact Stacy Cardwell at extension 36074 or via email at [cardwells@michigan.gov](mailto:cardwells@michigan.gov).

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## **"Q" AND "A"**

### **REGULATORY REQUIREMENTS AND FINANCIAL AID AWARD LETTERS**

#### **Are there any special requirements the schools need to fulfill when sending information in award letters?**

There are no regulatory requirements for the content of an award letter because there is no regulatory requirement to have an award letter. There has been no such requirement since February 3, 1988, when schools were last required to obtain a signed award letter from the student indicating the student's acceptance of campus-based awards. Thus, there is no requirement that schools send award letters to their students, no requirement that the schools maintain a signed copy of the award letter in their file, and no required elements of the award letter.

Nevertheless, most schools still send award letters to new and returning students because it is an effective tool for providing families with information about the financial aid package and the costs associated with higher education. In addition, many schools use the award letter to satisfy other regulatory requirements.

#### **What information are schools required to distribute? Where can the regulations that stipulate this information be found? Are there deadlines associated with these regulations?**

Below are the regulations followed by the location and any deadlines.

- **Notice of Amounts and Types of Title IV Aid.** 34 CFR 668.165(a)(1) requires schools to notify students about the amount of Title IV aid the student and his or her parents will receive from each Title IV program before any aid is disbursed. The school also must provide information about the disbursement method and schedule, and itemize subsidized and unsubsidized education loans separately.
- **Notice of Right to Cancel a Loan.** 34 CFR 668.165(a)(2) requires schools to notify students and parents of their right to cancel all or a portion of an education loan disbursement and have the funds returned to the lender. This notice must be sent within 30 days before or after the school credits the student's account with the loan proceeds. Although the timing may permit the inclusion of this information with the award letter, it is better to have this notice accompany the promissory note or each disbursement.
- **Student Account Authorization.** 34 CFR 668.164(d) requires schools to obtain authorization from the student and/or parents to use Title IV funds for any purpose other than current charges for tuition and fees (and, if the student has signed a contract, for room and board). This includes depositing the funds to a bank account designated by the student or parent and applying the funds to pay for other authorized educationally related charges. Such an authorization cannot be mandatory. The student or parent



must be able to cancel or modify the authorization at any time. Additional requirements relating to the authorization are described in 34 CFR 668.165(b).

- **Financial Assistance Information.** 34 CFR 668.42(a) and (b) and Section 485(a) of the Higher Education Act require schools to provide current and prospective students with information about available federal, state, local, private, and institutional student aid programs. 34 CFR 668.42(c) requires schools to provide students with information about the rights and responsibilities of students receiving financial aid. In particular, it requires disclosure of the criteria for continued eligibility for each program in the financial aid package and especially the school's Satisfactory Academic Progress (SAP) policy. It also requires the school to provide students with information about the terms and conditions of their student aid, including disbursement methods and frequency, the terms of education loans, and the terms of any work-study job. Section 485(e) of the Higher Education Act also requires certain disclosures regarding athletic scholarships, grants, and other forms of athletic aid offered by the school. Although most schools handle these requirements through a financial aid section of the college catalog, many will include basic information about the school's SAP policy and requirements for continued eligibility with the award letter.
- **Institutional Information.** 34 CFR 668.43 requires schools to make available to students certain information about the school, including cost of attendance information (including tuition and fees, books and supplies, room and board, and transportation) and the school's refund policy. The school must also provide a statement concerning the impact of study abroad on eligibility for Title IV student aid (i.e., if a program is approved for credit by the home institution, it counts as part of their enrollment at that school for Federal student aid purposes). Although this information only needs to be made available upon request, many schools find it helpful to include cost of attendance information in the award letter.
- **State Grant Assistance.** Section 487(a)(9) of the Higher Education Act requires schools to notify borrowers about their eligibility for state grant assistance from the state in which the school is located (and contact information for further information about other states for students from other states).

**As each school has their own best practices, what types of information are generally included on an award letter?**

- The amount of institutional aid, in addition to Title IV and state aid.
- The cost of attendance, EFC, financial need, and unmet need.
- The school's outside scholarship policy.
- The school's SAP policy.
- Availability of unsubsidized Stafford and PLUS loans.
- Availability of tuition installment plans.
- Notice of the right to request a professional judgment review of unusual circumstances that may affect the family's ability to pay.

Most schools will send a revised award letter whenever the student's EFC or cost of attendance changes. Some schools will only send a revised award letter when the amount of financial aid or the composition of the financial aid package changes.

**SAP Policy.** Since many students will not read the full SAP policy, it is important to provide them with a short summary that emphasizes the consequences of failing to maintain satisfactory academic progress.



**FERPA.** Some schools will include a Family Education Rights and Privacy Act (FERPA) waiver form with the award letter that the student can use to consent to the release of their names and award amounts (and perhaps GPA) to the award donors. They may also use the award letter to satisfy other FERPA requirements, such as the annual notice of FERPA rights.

**Packaging PLUS and Unsubsidized Stafford loans.** Because there is a growing tendency of families to overlook unsubsidized Stafford and PLUS loans in favor of the more expensive private education loans, it is important to ensure that the families are aware that these sources of education financing are available. However, packaging these optional loans by listing a specific amount on the award letter may lead to confusion and over-borrowing. When schools tell families about their maximum PLUS loan eligibility, they have a greater tendency to borrow the maximum instead of a lesser amount. It is important to emphasize that these loans are available to help the family finance the family contribution and to explain that the Stafford loan is less expensive than the PLUS loan, which is less expensive than most private education loans.

**Cost of Attendance, EFC and Financial Need.** Since cost of attendance information is only required upon request, there is some debate about whether it is worth including it on the award letter. Likewise, since schools are not required to tell families their Estimated Family Contribution (EFC), financial need, and unmet need, some schools choose to exclude it from the award letter.

**Regarding delivery of the award letter to the student, doesn't a school have to obtain permission from the student to use electronic notification?**

Many schools want to transmit the award letter by email in order to save on printing and mailing costs. However, email is not necessarily secure and there is no guarantee that the student will receive the message. Schools must be mindful of their obligations under FERPA to safeguard private student information. The following process seems to work well for many schools:

- New students receive their first award letter by U.S. mail.
- Returning students, who have an institutional email account, receive an email message directing them to a secure Web site where they can obtain their award information. This Web site lets them review the status of their awards, see a list of missing documents, accept or reject or reduce their loans, verify their SAP status, review their cost of attendance information (and any adjustments), review their loan history, and tell the school about outside scholarships. The Web site also may include information about the student's account and any scheduled disbursements.
- The secure Web site should record the date and subject of any messages sent to the student and also keep a log of when the student used the Web site. Ideally the Web site should allow the student to review old messages previously sent to them.
- Any returning student who does not login to the secure award letter Web site within a certain time frame is sent a printed award letter by U.S. mail.

Since the school must have the student's written consent to use electronic notification, and the signature on the FAFSA is insufficient, many schools will use the first award letter to obtain the required consent. They will then send subsequent award letters only to students who have not given consent.

Note: The information in this article is from FinAid.org based on an article previously published by the [Council on Law in Higher Education](#): Mark Kantrowitz, *Recommended Elements of Award Letters*, Emerging Issues in Higher Education, CLHE, March 2005. It has been updated to reflect subsequent statutory and regulatory changes.

<http://www.finaid.org/educators/awardletterrequirements.phtml>

Related resources:

NASFAA Award Letter Evaluation Tool. The National Association of Student Financial Aid Administrators (NASFAA) has published an award letter evaluation tool that helps schools improve the design of their award letters.

Federal Student Aid Handbook. The consumer information requirements are discussed in Chapter 6 of Volume 2 of the 2004-2005 Federal Student Aid Handbook. (The consumer information requirements are still discussed in Chapter 6 of Volume 2 of the 2007-2008 Federal Student Aid Handbook, on pages 2-67 through 2-88. These requirements are based on section 485(f) of the Higher Education Act of 1965 and the regulations at 34 CFR 668.41 through 668.48.)

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## **CALENDAR OF UPCOMING EVENTS**

### **January 2008**

- 21 MGA Offices Closed
- 27-30 MSFAA Winter Training  
Amway Grand Hotel  
Grand Rapids, Michigan

### **February 2008**

- 7 MGA Web Cast  
Draft Cohort Default Rate Appeals Process  
10:00 a.m.
- 10 College Goal Sunday
- 18 MGA Offices Closed